

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**Tong Ren Tang Technologies Co. Ltd.**  
**北京同仁堂科技發展股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 1666)

**CONTINUING CONNECTED TRANSACTIONS**  
**PROPERTY LEASING FRAMEWORK AGREEMENT**

The Board announces that on 25 January 2017, the Company and Tong Ren Tang Holdings entered into the Property Leasing Framework Agreement, pursuant to which, Tong Ren Tang Holdings has agreed to lease and procure other members of the Tong Ren Tang Group to lease certain premises to the Group for its productions and operations, including but not limited to office premises, warehouses and staff quarter. The Property Leasing Framework Agreement is for a term of three years commencing from 1 January 2017 to 31 December 2019.

Tong Ren Tang Holdings is the ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the expected annual caps under the Property Leasing Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## INTRODUCTION

The Board announces that on 25 January 2017, the Company and Tong Ren Tang Holdings entered into the Property Leasing Framework Agreement, pursuant to which, Tong Ren Tang Holdings has agreed to lease and procure other members of the Tong Ren Tang Group to lease certain premises to the Group for its productions and operations, including but not limited to office premises, warehouses and staff quarter. The Property Leasing Framework Agreement is for a term of three years commencing from 1 January 2017 to 31 December 2019.

The Company and Tong Ren Tang Holdings have entered into the Storage and Custody Agreement dated 10 October 2013, pursuant to which Tong Ren Tang Holdings used to provide warehouses rental service to the Company. The Storage and Custody Agreement, which has expired on 31 December 2016, will not be renewed upon its expiry and will be replaced and covered by the Property Leasing Framework Agreement.

## THE PROPERTY LEASING FRAMEWORK AGREEMENT

**Date:** 25 January 2017

**Parties:** (1) the Company  
(2) Tong Ren Tang Holdings

**Term of the Agreement:** The Property Leasing Framework Agreement is for a term of three years commencing from 1 January 2017 and ending on 31 December 2019. Upon expiry, the Property Leasing Framework Agreement will, subject to, compliance with the relevant requirements under the Hong Kong Listing Rules and agreement of the parties, be renewed for a further term of three years.

**Principal Terms and Conditions:** Pursuant to the Property Leasing Framework Agreement, Tong Ren Tang Holdings has agreed to lease and procure other members of the Tong Ren Tang Group to lease certain premises to any members of the Group for the Group's productions and operations, including but not limited to office premises, warehouses and staff quarter.

**Pricing Policies:** The continuing connected transactions under the Property Leasing Framework Agreement will be entered into in accordance with the pricing policies below:

- The relevant market price. The relevant market price is determined by reference to the rental information gathered by the Group of certain premises of similar specification and size in similar locations based on such market terms to make sure that the terms offered by the Tong Ren Tang Group would not be less favorable than those offered by third parties on the market.
- Where the market price is not available, then the contracted price, which shall be determined after arm's length negotiation based by both parties of the agreement based on the principle of cost plus a fair and reasonable profit rate and by reference to the historical rentals. The reasonable cost shall be determined by reference to the size of the premises provided by the Tong Ren Tang Group, and the cost of premises management.

- The terms of all leases under the Property Leasing Framework Agreement shall be negotiated on an arm's length basis and shall be fair and reasonable.

**Payment Arrangement:** • The rentals under the Property Leasing Framework Agreement are payable by cash according to the specific and separate implementation agreements and funded by the Group's internal resources. The Directors are of view that such payment terms are in line with the market practice.

### Historical Transaction Amount

For the three years ended 31 December 2016, the transaction amount of property leasing service provided by Tong Ren Tang Group to the Group is set out below (including the transaction amount under the Storage and Custody Agreement):

	<b>For the year ended 31 December</b>		
	<b>2014</b> <i>(RMB'000)</i>	<b>2015</b> <i>(RMB'000)</i>	<b>2016</b> <i>(RMB'000)</i>
Historical Transaction Amount (total rental paid and payable by the Group)	4,380	4,500	5,090

The Directors have been monitoring the amount of the property leasing transactions between the Tong Ren Tang Group and the Group to ensure compliance with the Hong Kong Listing Rules. For the three years ended 31 December 2016, the transaction amount of the continuing connected transactions under the Storage and Custody Agreement did not exceed the annual caps in each year (please refer to the announcement of the Company dated 10 October 2013 for detailed information), while the total rental of all the other property leasing transactions between the Tong Ren Tang Group and the Group on a consolidated basis met the minimum exemption level pursuant to the Hong Kong Listing Rules. For the year 2017 and as at the date of this announcement, the total transaction amount of all the property leasing transactions between the Tong Ren Tang Group and the Group has not exceed the minimum exemption level under the Hong Kong Listing Rules.

### Proposed Annual Caps

The Directors have proposed the following annual caps for the transactions contemplated under the Property Leasing Framework Agreement for the three years ending 31 December 2019:

	<b>For the year ending 31 December</b>		
	<b>2017</b> <i>(RMB'000)</i>	<b>2018</b> <i>(RMB'000)</i>	<b>2019</b> <i>(RMB'000)</i>
Expected Annual Caps	10,900	11,600	11,800

In arriving at the above expected annual caps, the Directors have taken into account the following factors:

- (a) the historical rental payable to the Tong Ren Tang Group for the rental service provided;

- (b) following with the gradual expand of the Group's scale, the increase of amount of subsidiaries under the Group will lead to increase in the Group's demand in property leasing from Tong Ren Tang Group;
- (c) the stable growth of the market rental of the premises leased under the Property Leasing Framework Agreement during the three years ending 31 December 2019;
- (d) Tong Ren Tang Chinese Medicine is expected to enter into new leases of the premises in Australia and the PRC for retail and office use since 2017 and for the three years ending 31 December 2019;
- (e) the potential appreciation in the RMB and other foreign currencies against HKD; and
- (f) a buffer has been provided to the proposed annual caps for the possible demand of the Group for the new leases of premises for its business expansion.

### **Implementation Agreements**

Members of the Group and members of the Tong Ren Tang Group will enter into, from time to time and as necessary, specific and separate implementation agreements to set out the specific terms and conditions in respect of the relevant premises leased thereunder.

As the implementation agreements provide for the lease of the relevant premises contemplated under the Property Leasing Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the Property Leasing Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant requirements under the Hong Kong Listing Rules accordingly.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY LEASING FRAMEWORK AGREEMENT**

The Directors think that entering into the Property Leasing Framework Agreement will continue the existing leases with the Tong Ren Tang Group and satisfy the future business needs of the company from time to time, which is beneficial to the business development of the Group.

The Directors (including the independent non-executive Directors) consider that the Property Leasing Framework Agreement is entered into on normal commercial terms and the terms of the leases contemplated thereunder (together with the annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INTERNAL CONTROL MEASURES**

To ensure the Group's conformity with the pricing policies in relation to the continuing connected transactions contemplated under the Property Leasing Framework Agreement, the Group has the following internal control procedures in place for its daily operation:

- (i). after entering into the Property Leasing Framework Agreement, the continuing connected transactions shall be strictly in compliance with the approved terms and conditions. Implementation agreements under the Property Leasing Framework Agreement shall be performed in strict accordance with pricing policies set out in the Property Leasing Framework Agreement. If revision of such terms and conditions is required due to change of actual situation, it is required to re-perform appropriate approval process;

- (ii). the financial department of the Company is responsible to continuously monitor, collect and review the pricing terms, payment arrangements and actual transaction amounts of each of the specific implementation agreements to the Property Leasing Framework Agreement. The financial department of the Company is responsible to collect the total transaction amounts of the continuing connected transactions under the Property Leasing Framework Agreement on a monthly basis. The relevant department of the Company also continue to monitor the aforesaid information so as to ensure all transactions under the Property Leasing Framework Agreement are entered into on normal commercial terms or better, are fair and reasonable, the terms and conditions available to the Group are no less favourable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the Property Leasing Framework Agreement. Relevant departments, if discover any imminent or possible exceeding of the annual caps of any continuing connected transactions under the Property Leasing Framework Agreement shall report as soon as possible to the financial department of the Company to determine whether to raise the annual caps, and such report shall be reported to the office of the securities affairs in the meantime. If the financial department confirms the necessity to raise the annual caps, the relevant departments shall propose the revised annual caps and reasons for adjustment approved by person in charge, and relevant approval and disclosure procedures shall be re-performed. Before completion of all of the approval and disclosure procedures, the person in charge of relevant departments involved in the continuing connected transactions shall ensure that the transaction amounts do not exceed the respective annual caps;
- (iii). the independent non-executive Directors will review the continuing connected transactions under the Property Leasing Framework Agreement to ensure all transactions contemplated thereunder are entered into on normal commercial terms or better, are fair and reasonable, the terms and conditions available to the Group are no less favourable than those available to independent third parties, and such transactions are carried out pursuant to the terms of the Property Leasing Framework Agreement; and
- (iv). the auditors of the Company will also conduct an annual review on the pricing and annual caps of the continuing connected transactions under the Property Leasing Framework Agreement.

After consideration: (i) the above methods and procedures include the necessary components of the internal control system, such as designated departments and responsible personnel, clear approval procedures and monitoring systems, and detailed and unambiguous evaluation criteria; and (ii) the above review process and approval procedures for clear assessment criteria will ensure that the transactions will be executed in accordance with the pricing principles set out in the Property Leasing Framework Agreement and the Directors (including the independent non-executive Directors) consider that such methods and procedures will ensure that the proposed continuing connected transactions contemplated under the Property Leasing Framework Agreement will be on normal commercial terms and will not harm the Company and its minority interests as a whole.

## **IMPLICATIONS OF THE HONG KONG LISTING RULES**

Tong Ren Tang Holdings is the ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the expected annual caps under the Property Leasing Framework Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are subject to reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As Mr. Gao Zhen Kun, the chairman of the Board, is also a director of Tong Ren Tang Holdings, he is deemed to have material interests in the transactions contemplated under the Property Leasing Framework Agreement and has abstained from voting on the relevant resolutions in the Board meeting. Save as disclosed, there none of the other Directors has a material interest in the transactions contemplated under the Property Leasing Framework Agreement.

## **GENERAL INFORMATION**

### **The Company**

The Company is principally engaged in the manufacturing and sale of Chinese medicine.

### **Tong Ren Tang Holdings**

Tong Ren Tang Holdings is principally engaged in the processing, manufacture and sale of Chinese medicinal materials, Chinese patent medicine, Chinese medicinal decoction pieces, medical food, warehousing and transportation, etc..

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Board"	means the board of Directors
"Company"	means Beijing Tong Ren Tang Technology Co. Ltd. (北京同仁堂科技发展股份有限公司), a joint stock company incorporated in the PRC with limited liability and the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"Director(s)"	means the director(s) of the Company
"Hong Kong Stock Exchange"	means The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Group"	means the Company and its subsidiaries
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC
"HKD"	means Hong Kong dollar, the lawful currency of Hong Kong
"Property Leasing Framework Agreement"	means the Property Leasing Framework Agreement dated 25 January 2017 entered into between the Company and Tong Ren Tang Holdings in respect of the leasing of certain premises by Tong Ren Tang Holdings or other members of the Tong Ren Tang Group to the Group

"PRC"		means the People's Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"		means Renminbi, the lawful currency of the PRC
"Shareholder(s)"		means the shareholder(s) of the Company
"Storage and Custody Agreement"		means the storage and custody agreement entered into between the Company and Tong Ren Tang Holdings on 15 April 2008, and renewed by the parties on 18 January 2011 and on 10 October 2013 for the purpose of the provision of storage and custody services by Tong Ren Tang Holdings to the Company
"Tong Ren Tang Chinese Medicine"		means Beijing Tong Ren Tang Chinese Medicine Company Limited (北京同仁堂國藥有限公司), a subsidiary of the Company which was incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange
"Tong Ren Tang Group"		means Tong Ren Tang Holdings and its associates (other than the Group)
"Tong Ren Tang Holdings"		means China Beijing Tong Ren Tang Group Co., Ltd.(中國北京同仁堂(集團)有限責任公司), a state-owned enterprise established in the PRC and the ultimate controlling shareholder of the Company

By order of the Board  
**Tong Ren Tang Technologies Co. Ltd.**  
**Gao Zhen Kun**  
*Chairman of the Board*

Beijing, the PRC  
25 January 2017

*As at the date of this announcement, the Board comprises Mr. Gao Zhen Kun, Mr. Gu Hai Ou, Mr. Rao Zu Hai, Mr. Li Bin, Mr. Wang Yu Wei and Ms. Fang Jia Zhi as executive Directors; Miss Tam Wai Chu, Maria, Mr. Ting Leung Huel, Stephen and Mr. Jin Shi Yuan as independent non-executive Directors.*